

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

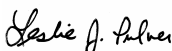
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

# **Charter Township of Milford Oakland County, Michigan**

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**Financial Report  
with Supplemental Information  
December 31, 2006**

# Charter Township of Milford

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# Charter Township of Milford

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## Independent Auditor's Report

To the Township Board  
Charter Township of Milford  
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Milford as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Milford's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Milford as of December 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Township Board  
Charter Township of Milford

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Milford's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

February 2, 2007

# Charter Township of Milford

## Management's Discussion and Analysis

### Overview of the Financial Statements

The Charter Township of Milford's 2006 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplemental information, and other supplemental information, which presents combining statements for nonmajor governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

### Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

**Governmental Activities** - Most of the Township's basic services are included here, such as public safety, public works, and general administration. Property taxes, state-shared revenue, and charges for services provide most of the funding.

**Business-type Activities** - The Township is in the process of constructing a water and sewer system and will charge fees to customers in the future to help cover the costs of certain services it provides. The Township's water and sewer system is treated as a business-type activity.

### Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

# Charter Township of Milford

## Management's Discussion and Analysis (Continued)

The Township has three types of funds:

**Governmental Funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

**Proprietary Funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.

**Fiduciary Funds** - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

### Financial Overview

The Township has total net assets of \$6.3 million, comprised of \$5.7 million from governmental activities and \$652,000 from business-type activities. This was a slight increase over 2005. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current assets	\$ 10,905	\$ 10,045	\$ 10,135	\$ 11,961	\$ 21,040	\$ 22,006
Noncurrent assets	8,591	9,173	6,884	4,683	15,475	13,856
Total assets	19,496	19,218	17,019	16,644	36,515	35,862
<b>Liabilities</b>						
Current liabilities	6,720	6,381	7,867	8,693	14,587	15,074
Long-term liabilities	7,080	7,410	8,500	7,900	15,580	15,310
Total liabilities	13,800	13,791	16,367	16,593	30,167	30,384
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	1,621	1,905	652	51	2,273	1,956
Restricted	1,801	1,333	-	-	1,801	1,333
Unrestricted	2,274	2,189	-	-	2,274	2,189
Total net assets	\$ 5,696	\$ 5,427	\$ 652	\$ 51	\$ 6,348	\$ 5,478



# Charter Township of Milford

## Management's Discussion and Analysis (Continued)

The Township experienced a slight increase in the net assets of the governmental activities due to revenues exceeding expenditures. The Township had an increase in property tax and interest revenue while debt-related costs decreased, which contributed to the increase in net assets.

The Township incurred additional legal costs associated with the lawsuit related to the landfill reclamation during 2006.

The Township continued construction of a water and sewer system in 2006. A bond anticipation note was issued for \$600,000, and \$2,201,000 was spent on construction in progress during 2006.

### Governmental Activities

Revenues for governmental activities totaled \$7.3 million in 2006. A total of \$5.3 million was in the form of property tax collections, an increase of \$298,000 over 2006. This increase is due to the continuing growth in the tax base. State-shared revenues continue to be of concern. While it provided \$613,000, we are uncertain what will happen in 2007 given the State's financial difficulties. Charges for services, primarily for inspections and refuse operations, generated \$970,000.

The following table shows the changes in net assets (in thousands of dollars) compared to the prior year for the governmental activities:

	Governmental Activities	
	2006	2005
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 970	\$ 989
Operating grants and contributions	36	17
Capital grants and contributions	-	100
General revenue:		
Property taxes	5,301	5,003
State-shared revenue	613	624
Unrestricted investment earnings	274	151
Cable revenues	73	61
Other revenue	12	12
Transfers	-	(50)
Special item - Settlement of property tax case	29	188
Total revenue	7,308	7,095
<b>Program Expenses</b>		
General government	1,228	1,145
Public safety	3,849	3,833
Public works	909	740
Community and economic development	271	196
Recreation and culture	488	488
Interest on long-term debt	294	740
Total program expenses	7,039	7,142
<b>Change in Net Assets</b>	<b>\$ 269</b>	<b>\$ (47)</b>

# Charter Township of Milford

## Management's Discussion and Analysis (Continued)

### Business-type Activities

The following table shows the changes in net assets (in thousands of dollars) compared to the prior year for the business-type activities:

	2006	2005
Assessment collections	\$ 561	\$ -
Interest income	40	1
Transfers from other funds	-	50
<b>Change in Net Assets</b>	<b>\$ 601</b>	<b>\$ 51</b>

The Township continued to collect special assessments related to the construction of the SEMIS Sewer during 2006.

### Current Economic Events

The Township is in the process of developing a system of supplying water to certain portions of the Township. Escrow accounts are in place for maintenance and repair or replacement of subdivision wastewater systems.

Revenue sharing continues to be the most significant budgetary concern at this time. The State of Michigan is experiencing significant structural budget problems, and as it looks for solutions, revenue sharing continues to be under attack. The governor's proposed budget for 2007 calls for a level funding for state revenue-sharing payments.

### Financial Analysis of Township Funds and Budgets

The General Fund ended 2006 with a fund balance of \$1.1 million, with \$665,575 designated for specific purposes. Several factors affected operating results. Tax revenue from the police millage was under the amended budget by \$13,499, while total revenues exceeded the amended budget by \$399,372. Total expenditures were under the amended budget by \$258,417 due to cost cutting throughout each department. Total revenues of \$4,979,112 exceed expenditures and transfers in the General Fund of \$4,881,113 by \$97,999 and increased fund balance by the same amount.

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent expenditures from exceeding the budget. With that in mind, the General Fund expenditures were 96 percent of budget. With the exception of the previously mentioned items, no major General Fund areas were significantly under or over budget.

# **Charter Township of Milford**

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## **Management's Discussion and Analysis (Continued)**

### **Capital Assets and Debt**

At the end of 2006, the governmental activities of the Township had approximately \$8.5 million, net of depreciation, invested in a broad range of capital assets including buildings, fire and office equipment, and vehicles. Business-type activities reported approximately \$6.9 million of construction in progress at the end of 2006 related to the construction of the water and sewer system.

Debt relating to special assessment projects and the police and library buildings of \$7,080,000 is recorded as a liability in the governmental activities in the statement of net assets. Debt relating to special assessment projects for the sewer system and the water system totaling \$8.5 million is recorded as a liability in the business-type activities in the statement of net assets.

### **Contact Us**

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition. Should you have further questions, we welcome you to contact the clerk's office.

# Charter Township of Milford

## Statement of Net Assets December 31, 2006

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>Assets</b>			
Cash and investments (Note 3)	\$ 7,049,035	\$ 213,678	\$ 7,262,713
Receivables:			
Taxes receivable	3,474,234	-	3,474,234
Special assessments and other	113,850	7,211,599	7,325,449
Interfund balances (Note 6)	32,868	(32,868)	-
Due from other governmental units	236,107	-	236,107
Restricted assets (Note 8)	-	2,742,565	2,742,565
Investment in joint venture (Note 11)	44,550	-	44,550
Capital assets (Note 5):			
Capital assets not being depreciated	4,534	6,883,968	6,888,502
Capital assets being depreciated - Net	8,541,645	-	8,541,645
<b>Total assets</b>	<b>19,496,823</b>	<b>17,018,942</b>	<b>36,515,765</b>
<b>Liabilities</b>			
Accounts payable	47,503	252,534	300,037
Accrued and other liabilities	94,755	68,208	162,963
Due to other governmental units	19,661	-	19,661
Refundable deposits	341,283	-	341,283
Deferred revenue (Note 4)	6,217,213	7,546,294	13,763,507
Noncurrent liabilities (Note 7):			
Due within one year	385,000	1,000,000	1,385,000
Due in more than one year	6,695,000	7,500,000	14,195,000
<b>Total liabilities</b>	<b>13,800,415</b>	<b>16,367,036</b>	<b>30,167,451</b>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	1,621,179	651,906	2,273,085
Restricted:			
Debt service	57,633	-	57,633
Refuse collection	218,185	-	218,185
Senior citizens	88,223	-	88,223
Fire services	1,355,202	-	1,355,202
Recreation trail	82,121	-	82,121
Unrestricted	2,273,865	-	2,273,865
<b>Total net assets</b>	<b>\$ 5,696,408</b>	<b>\$ 651,906</b>	<b>\$ 6,348,314</b>

# Charter Township of Milford

## Statement of Activities Year Ended December 31, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Functions/Programs</b>							
Primary government:							
Governmental activities:							
General government	\$ 1,228,633	\$ 84,465	\$ -	\$ -	\$ (1,144,168)	\$ -	\$ (1,144,168)
Public safety	3,848,771	396,531	-	-	(3,452,240)	-	(3,452,240)
Public works	908,844	427,907	-	-	(480,937)	-	(480,937)
Community and economic development	270,631	60,626	36,234	-	(173,771)	-	(173,771)
Recreation and culture	488,204	-	-	-	(488,204)	-	(488,204)
Interest on long-term debt	293,670	-	-	-	(293,670)	-	(293,670)
Total governmental activities	7,038,753	969,529	36,234	-	(6,032,990)	-	(6,032,990)
Business-type activities - Sewer	-	-	-	560,684	-	560,684	560,684
Total primary government	<b>\$ 7,038,753</b>	<b>\$ 969,529</b>	<b>\$ 36,234</b>	<b>\$ 560,684</b>	(6,032,990)	560,684	(5,472,306)
General revenues:							
Property taxes					5,301,226	-	5,301,226
State-shared revenues					613,319	-	613,319
Unrestricted investment earnings					273,544	40,553	314,097
Cable revenues					72,375	-	72,375
Miscellaneous					12,252	-	12,252
Special item - Settlement of property tax case					29,000	-	29,000
Total general revenues and special item					6,301,716	40,553	6,342,269
<b>Change in Net Assets</b>					268,726	601,237	869,963
<b>Net Assets - Beginning of year</b>					5,427,682	50,669	5,478,351
<b>Net Assets - End of year</b>					<b>\$ 5,696,408</b>	<b>\$ 651,906</b>	<b>\$ 6,348,314</b>

# Charter Township of Milford

## Governmental Funds Balance Sheet December 31, 2006

		Major Special Revenue Fund	Major Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Fire Voted Millage Operations	Debt Service		
<b>Assets</b>					
Cash and investments (Note 3)	\$ 3,089,078	\$ 1,768,931	\$ 355,697	\$ 1,835,329	\$ 7,049,035
Receivables:					
Taxes	2,317,460	521,826	366,420	268,528	3,474,234
Special assessments	-	-	-	102,830	102,830
Other	11,020	-	-	-	11,020
Due from other funds (Note 6)	32,868	-	-	22,620	55,488
Due from other governmental units	236,107	-	-	-	236,107
Total assets	<u>\$ 5,686,533</u>	<u>\$ 2,290,757</u>	<u>\$ 722,117</u>	<u>\$ 2,229,307</u>	<u>\$ 10,928,714</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 43,645	\$ 1,927	\$ -	\$ 1,886	\$ 47,458
Accrued and other liabilities	26,947	17,085	-	-	44,032
Due to other funds (Note 6)	22,620	-	-	-	22,620
Due to other governmental units	-	-	19,661	-	19,661
Refundable deposits	341,283	-	-	-	341,283
Deferred revenue (Note 4)	4,103,871	916,543	643,548	638,236	6,302,198
Total liabilities	4,538,366	935,555	663,209	640,122	6,777,252
<b>Fund Balances</b>					
Reserved for recreation trail	82,121	-	-	-	82,121
Unreserved, reported in:					
General Fund - Undesignated	400,471	-	-	-	400,471
General Fund - Designated (Note 14)	665,575	-	-	-	665,575
Special Revenue Funds	-	1,355,202	-	1,028,759	2,383,961
Debt Service Funds	-	-	58,908	68,740	127,648
Capital Projects Funds	-	-	-	491,686	491,686
Total fund balances	<u>1,148,167</u>	<u>1,355,202</u>	<u>58,908</u>	<u>1,589,185</u>	<u>4,151,462</u>
Total liabilities and fund balances	<u>\$ 5,686,533</u>	<u>\$ 2,290,757</u>	<u>\$ 722,117</u>	<u>\$ 2,229,307</u>	<u>\$ 10,928,714</u>

# Charter Township of Milford

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

### Year Ended December 31, 2006

		Major Special Revenue Fund	Major Debt Service Fund		
	General	Fire Voted Millage Operations	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Property taxes	\$ 1,046,965	\$ 830,943	\$ 631,894	\$ 106,771	\$ 2,616,573
Police millage	2,684,653	-	-	-	2,684,653
Licenses and permits	349,354	-	-	-	349,354
Federal sources	36,234	-	-	-	36,234
State sources	613,319	-	-	-	613,319
Charges for services	41,785	50,166	-	51,530	143,481
Investment earnings	98,493	77,851	12,985	84,215	273,544
Rubbish billings	-	-	-	418,342	418,342
Special assessments	-	-	-	36,501	36,501
Other	108,309	-	-	35,587	143,896
Total revenue	4,979,112	958,960	644,879	732,946	7,315,897
<b>Expenditures</b>					
General government	778,357	-	-	94,641	872,998
Public safety	2,909,122	631,671	-	-	3,540,793
Public works	337,839	-	-	609,209	947,048
Community and economic development	151,580	-	-	119,721	271,301
Recreation and culture	14,108	-	-	-	14,108
Capital outlay	10,444	69,753	-	6,695	86,892
Other	430,497	-	-	-	430,497
Debt service	-	-	635,117	28,928	664,045
Total expenditures	4,631,947	701,424	635,117	859,194	6,827,682
<b>Excess of Revenue Over (Under)</b>					
Expenditures	347,165	257,536	9,762	(126,248)	488,215
<b>Other Financing Sources (Uses)</b>					
Transfers in (Note 6)	-	-	-	259,757	259,757
Transfers out (Note 6)	(249,166)	-	-	(10,591)	(259,757)
Total other financing sources (uses)	(249,166)	-	-	249,166	-
<b>Net Change in Fund Balances</b>	97,999	257,536	9,762	122,918	488,215
<b>Fund Balances - Beginning of year</b>	1,050,168	1,097,666	49,146	1,466,267	3,663,247
<b>Fund Balances - End of year</b>	<u>\$ 1,148,167</u>	<u>\$ 1,355,202</u>	<u>\$ 58,908</u>	<u>\$ 1,589,185</u>	<u>\$ 4,151,462</u>

# Charter Township of Milford

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## **Governmental Funds** **Reconciliation of Fund Balances of Governmental Funds to** **Net Assets of Governmental Activities** **Year Ended December 31, 2006**

<b>Fund Balance - Total Governmental Funds</b>	<b>\$ 4,151,462</b>
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	8,546,179
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Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	84,985
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Accrued interest payable on long-term debt is not recorded in the funds	(50,768)
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Long-term liabilities are not due and payable in the current period and are not reported in the funds	(7,080,000)
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Investment in joint ventures is not recorded in the funds	<u>44,550</u>
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<b>Net Assets of Governmental Activities</b>	<b><u>\$ 5,696,408</u></b>
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# Charter Township of Milford

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2006**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 488,215</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	172,740
Depreciation is recorded as an expense in the statement of activities but not in the governmental funds	(755,610)
Decrease in liability for tax tribunal appeals is recorded in the statement of activities; it is not reported in the funds	29,000
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(36,501)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	330,000
Interest expense is recorded when incurred in the statement of activities	40,100
The change in the investment in joint ventures is not recorded in the governmental funds	783

<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 268,727</u></b>
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# Charter Township of Milford

## Proprietary Fund Statement of Net Assets December 31, 2006

	Enterprise Fund - Water and Sewer
<b>Assets</b>	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 213,678
Special assessment receivable	7,211,599
Restricted assets (Note 8)	<u>2,742,565</u>
Total current assets	10,167,842
Noncurrent assets - Capital assets	<u>6,883,968</u>
Total assets	17,051,810
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	252,534
Current portion of long-term debt (Note 7)	1,000,000
Accrued and other liabilities	68,208
Due to other funds	32,868
Deferred revenue	<u>7,546,294</u>
Total current liabilities	8,899,904
Noncurrent liabilities - Long-term debt (Note 7)	<u>7,500,000</u>
Total liabilities	<u>16,399,904</u>
<b>Net Assets</b> - Invested in capital assets - Net of related debt	<u><u>\$ 651,906</u></u>

# Charter Township of Milford

## Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2006

	Enterprise Fund - Water and Sewer
<b>Nonoperating Revenue</b>	
Assessment collections	\$ 560,684
Interest income	<u>40,553</u>
Total operating revenue	<u>601,237</u>
<b>Change in Net Assets</b>	601,237
<b>Net Assets - Beginning of year</b>	<u>50,669</u>
<b>Net Assets - End of year</b>	<u><u>\$ 651,906</u></u>

# Charter Township of Milford

## Proprietary Fund Statement of Cash Flows Year Ended December 31, 2006

	Enterprise Fund - Water and Sewer
<b>Cash Flows from Operating Activities</b> - Internal activity - Payments to other funds	\$ 32,868
<b>Cash Flows from Capital and Related Financing Activities</b>	
Special assessment collections	600,870
Purchase of capital assets including capitalized interest	(2,466,963)
Proceeds from issuance of debt	<u>600,000</u>
Net cash used in capital and related financing activities	(1,266,093)
<b>Cash Flows from Investing Activities</b> - Interest received on investments - Net of capitalized interest	<u>40,553</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(1,192,672)
<b>Cash and Cash Equivalents</b> - Beginning of year	<u>4,148,915</u>
<b>Cash and Cash Equivalents</b> - End of year	<u><u>\$ 2,956,243</u></u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>	
Cash and cash equivalents	\$ 213,678
Restricted assets (Note 8)	<u>2,742,565</u>
Total cash and cash equivalents	<u><u>\$ 2,956,243</u></u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended December 31, 2006, there were no noncash activities.

# Charter Township of Milford

## **Fiduciary Funds Statement of Net Assets Retiree Health Care Fund and Agency Funds December 31, 2006**

	Retiree Health Care Fund	Agency Funds
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 241,890	\$ 940,946
Investments - Bank investment pool (Note 3)	-	600,567
Total assets	241,890	<u><u>\$ 1,541,513</u></u>
<b>Liabilities</b>		
Deposits	-	\$ 121,443
Due to other governmental units	-	531,171
Tax collections distributable	-	888,899
Total liabilities	-	<u><u>\$ 1,541,513</u></u>
<b>Net Assets</b> - Held in trust for retiree health care	<u><u>\$ 241,890</u></u>	

# Charter Township of Milford

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## **Fiduciary Funds Statement of Changes in Net Assets Retiree Health Care Fund Year Ended December 31, 2006**

	Retiree Health Care Fund
<b>Additions</b>	
Employer contributions	\$ 100,000
Interest income	<u>10,390</u>
Total additions	110,390
<b>Net Assets Held in Trust for Retiree Health Care</b>	
Beginning of year	<u>131,500</u>
End of year	<u><u>\$ 241,890</u></u>

# Charter Township of Milford

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## Notes to Financial Statements December 31, 2006

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of the Charter Township of Milford (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Milford:

#### **Reporting Entity**

The Charter Township of Milford is governed by an elected seven-member board of trustees. The accompanying financial statements present the financial operations of the Township. The cash and investments of the Charter Township of Milford Library are recorded in an Agency Fund.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual Enterprise Fund are reported as separate columns in the fund financial statements.

# Charter Township of Milford

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## Notes to Financial Statements December 31, 2006

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

**General Fund** - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

**Fire Voted Millage Operations Fund** - The Fire Voted Millage Operations Fund accounts for the proceeds of a property tax levy that are earmarked for fire service.

**Debt Service Fund** - The Debt Service Fund accounts for the proceeds of a property tax levy that are earmarked for debt service on the Library and Police Facility Bonds.



# Charter Township of Milford

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## Notes to Financial Statements December 31, 2006

### **Note I - Summary of Significant Accounting Policies (Continued)**

The Township reports the following major proprietary funds:

**Water and Sewer Fund** - The Water and Sewer Fund is used to account for the issuance of debt to be used for the construction of a water distribution and sewer system.

Additionally, the Township reports the following fund types:

**Retiree Health Care Fund** - The Retiree Health Care Fund accounts for resources accumulated for other postemployment benefit payments to qualified employees.

**Agency Funds** - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

# Charter Township of Milford

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## Notes to Financial Statements December 31, 2006

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2005 ad valorem tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended December 31, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the Township totaled \$855,529,210, on which ad valorem taxes levied consisted of 1.0735 mills for operating purposes, 3.0417 mills for police services, .9396 mills for fire service, .7122 mills for debt service, .1250 mills for operation of the senior center, and .1000 mills for recreation trails. This resulted in approximately \$918,000 for operating, \$2,594,000 for police services, \$801,000 for fire service, \$607,000 for debt service, \$103,000 for senior center, and \$86,000 for recreation trails. Amounts for operating and police services are recognized in the General Fund financial statements as tax revenue and amounts for fire service and debt service are recognized in the respective Special Revenue and Debt Service Funds financial statements as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Restricted Assets** - Unspent bond proceeds of the Water and Sewer Fund are required to be set aside for construction.

# Charter Township of Milford

## Notes to Financial Statements December 31, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, approximately \$129,000 of interest incurred, net of related interest income, was capitalized as part of the cost of assets under construction.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Library building and contents	16 years
Computer equipment	5 to 7 years
Machinery and equipment	10 years
Vehicles	7 to 15 years
Furniture and fixtures	20 years
Recreation paths	15 years

**Compensated Absences (Vacation and Sick Leave)** - It is the Township's policy to not permit employees to accumulate earned but unused sick and vacation pay benefits if the time is not used within a year following the date of their anniversary. There is no liability for unpaid sick pay since the Township does not have a policy to pay any amounts when employees separate from service with the Township. There is no liability for unpaid vacation pay since the Township recognizes any liability at the time the vacation time is taken or an employee separates from service with the Township in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

# Charter Township of Milford

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## Notes to Financial Statements December 31, 2006

### **Note I - Summary of Significant Accounting Policies (Continued)**

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts and issuance costs are reported as other financing uses.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# Charter Township of Milford

## Notes to Financial Statements December 31, 2006

### Note 2 - Stewardship, Compliance, and Accountability

**Construction Code Fees** - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity for the fiscal year ending December 31, 2006 is as follows:

Shortfall at January 1, 2006		\$	(222,239)
Building permit revenue			343,279
Related expenses:			
Direct costs	\$	323,712	
Estimated indirect costs		<u>49,405</u>	<u>373,117</u>
Current year surplus			<u>(29,838)</u>
Cumulative shortfall at December 31, 2006		\$	<u><u>(252,077)</u></u>

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Retiree Health Care Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

# Charter Township of Milford

## Notes to Financial Statements December 31, 2006

### Note 3 - Deposits and Investments (Continued)

The Township has designated 10 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all state statutory authority investments as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,541,486 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 127,763	AI	S&P
Bank investment pool	2,591,955	Aaa	Moody's
Bank investment pool	4,698,345	Not rated	N/A
Interlocal agreement pools	1,146,725	Not rated	N/A

# Charter Township of Milford

## Notes to Financial Statements December 31, 2006

### Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds			Governmental Activities	Business-type Activities
	Unavailable	Unearned	Total	Unearned	Unearned
Property taxes levied for 2007 operations	\$ -	\$ 6,217,213	\$ 6,217,213	\$ 6,217,213	\$ -
Special assessments	84,985	-	84,985	-	7,546,294
Total	<u>\$ 84,985</u>	<u>\$ 6,217,213</u>	<u>\$ 6,302,198</u>	<u>\$ 6,217,213</u>	<u>\$ 7,546,294</u>

### Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2006	Additions	Disposals and Adjustments	Balance December 31, 2006
<b>Governmental Activities</b>				
Capital assets not being depreciated - Land	\$ 4,534	\$ -	\$ -	\$ 4,534
Capital assets being depreciated:				
Buildings and improvements	3,843,383	85,324	-	3,928,707
Library building and contents	6,842,820	-	-	6,842,820
Computer equipment	198,892	5,670	-	204,562
Machinery and equipment	468,633	48,978	-	517,611
Vehicles	1,636,416	17,273	20,438	1,633,251
Furniture and fixtures	152,350	15,495	-	167,845
Recreation paths	155,000	-	-	155,000
Subtotal	13,297,494	172,740	20,438	13,449,796
Accumulated depreciation:				
Buildings and improvements	1,356,987	165,246	-	1,522,233
Library building and contents	1,283,028	427,676	-	1,710,704
Computer equipment	159,017	11,703	-	170,720
Machinery and equipment	314,949	33,941	-	348,890
Vehicles	941,948	97,499	20,438	1,019,009
Furniture and fixtures	86,050	9,212	-	95,262
Recreation paths	31,000	10,333	-	41,333
Subtotal	4,172,979	755,610	20,438	4,908,151
Net capital assets being depreciated	9,124,515	(582,870)	-	8,541,645
Net capital assets	<u>\$ 9,129,049</u>	<u>\$ (582,870)</u>	<u>\$ -</u>	<u>\$ 8,546,179</u>

# Charter Township of Milford

## Notes to Financial Statements December 31, 2006

### Note 5 - Capital Assets (Continued)

	Balance January 1, 2006	Additions	Disposals and Adjustments	Balance December 31, 2006
<b>Business-type Activities</b>				
Capital assets not being depreciated -				
Construction in progress	\$ 4,682,507	\$ 2,201,461	\$ -	\$ 6,883,968

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 58,584
Public safety	253,623
Recreation and culture	443,403

Total governmental activities	<u>\$ 755,610</u>
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**Construction Commitments** - The Township has an active construction project at year end for the SEMIS Sewer. At year end, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
SEMIS Sewer	\$ 4,181,155	\$ 341,201

In addition to the construction commitment, the Township has committed to pay the City of Wixom \$1,250,000 once the Township connects into their sewer system.

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Water Fund	\$ 32,868
Other governmental funds	General Fund	<u>22,620</u>
Total		<u>\$ 55,488</u>



# Charter Township of Milford

## Notes to Financial Statements December 31, 2006

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>	
General Fund	Other governmental funds	\$ 249,166	*
Other governmental funds	Debt Service Fund	<u>10,591</u>	**
Total		<u>\$ 259,757</u>	

\* These transfers represent the use of unrestricted resources in accordance with budgetary authorizations.

\*\* This transfer represents a transfer of funds to be used for debt service.

### Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

# Charter Township of Milford

## Notes to Financial Statements December 31, 2006

### Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General obligation bonds:							
Library and Police Facility:							
Amount of issue: \$8,100,000	5.00% -	\$100,000 -	\$ 1,745,000	\$ -	\$ 310,000	\$ 1,435,000	\$ 330,000
Maturing through 2010	5.25%	\$390,000					
Library and Police Facility Refunding:							
Amount of issue: \$5,490,000	3.50% -	\$35,000 -					
Maturing through 2025	4.00%	\$635,000	5,490,000	-	-	5,490,000	35,000
Special assessment bonds -							
Annie Lang Road improvements:							
Amount of issue: \$175,000	4.40% -	\$15,000 -					
Maturing through 2014	5.75%	\$20,000	175,000	-	20,000	155,000	20,000
Total governmental activities			\$ 7,410,000	\$ -	\$ 330,000	\$ 7,080,000	\$ 385,000
<b>Business-type Activities</b>							
General obligation bonds -							
SEMWI Limited Tax Note:							
Amount of issue: \$600,000							
Maturing through 2007	4.50%	\$600,000	\$ -	\$ 600,000	\$ -	\$ 600,000	\$ 600,000
Special assessment bonds -							
SEMIS Sewer Limited Tax Note:							
Amount of issue: \$7,900,000	3.50% -	\$400,000 -					
Maturing through 2025	4.125%	\$425,000	7,900,000	-	-	7,900,000	400,000
Total business-type activities			\$ 7,900,000	\$ 600,000	\$ -	\$ 8,500,000	\$ 1,000,000

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 385,000	\$ 287,923	\$ 672,923	\$ 1,000,000	\$ 332,121	\$ 1,332,121
2008	405,000	268,818	673,818	400,000	291,125	691,125
2009	420,000	248,838	668,838	400,000	277,125	677,125
2010	445,000	227,788	672,788	400,000	263,125	663,125
2011	465,000	208,081	673,081	400,000	249,125	649,125
2012-2016	2,560,000	744,520	3,304,520	2,075,000	1,023,625	3,098,625
2017-2021	2,400,000	196,600	2,596,600	2,125,000	605,625	2,730,625
2022-2025	-	-	-	1,700,000	175,313	1,875,313
Total	\$ 7,080,000	\$ 2,182,568	\$ 9,262,568	\$ 8,500,000	\$ 3,217,184	\$ 11,717,184

# Charter Township of Milford

## Notes to Financial Statements December 31, 2006

### Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Business-type Activities
	Water and Sewer Fund
Unspent bond proceeds and related interest	\$ 2,742,565

### Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and workers' compensation. The Township has purchased commercial insurance for medical and dental claims, participates in the Michigan Municipal League risk pool for claims relating to property loss, torts, errors and omissions, and workers' compensation, and is uninsured for unemployment compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### Note 10 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees and firefighters through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Township employees are eligible to participate upon completion of six months of employment and firefighters are eligible upon hiring date. As established by the Township board, the Township contributes an amount equal to 15 percent of the Township employee's base salary each month. The Township also contributes an amount equal to 15 percent of the firefighter's salary based on eligible hours. All participating employees shall have their benefits vested at the rate of 25 percent after one year of completed service and 25 percent for each additional year of completed service until 100 percent vested. In accordance with these requirements, the Township contributed approximately \$108,300 during the current year.

# Charter Township of Milford

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## Notes to Financial Statements December 31, 2006

### **Note 11 - Joint Ventures**

The Township is a member of the Western Oakland County Cable Commission Authority (the "Authority"), which provides cable services to the residents of the Villages of Milford and Wolverine Lake, the Townships of Commerce, Highland, Lyon, Milford, and White Lake, and the cities of Walled Lake and Wixom. The Authority receives a management fee from the cable television company and currently does not receive a subsidy from the Township. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The investment in the Authority of \$44,550 is recorded in the statement of net assets.

### **Note 12 - Contingent Liabilities**

In the normal course of its activities, the Township is involved in a variety of issues which lend themselves to potential legal exposure. The estimated liability associated with these issues, if any, cannot be determined; therefore, no liability has been recorded.

### **Note 13 - Other Postemployment Benefits**

The Township provides health care benefits to all employees who retire after at least 20 years of continuous full-time service and who have attained at least the age of 55 in accordance with the Township's *Personnel Policy and Procedures Manual*. The Township includes pre-Medicare retirees and their spouses in its insured health care plan, with no contribution required by the participant. Once the retiree is entitled to Medicare coverage, the Township shall provide the difference in coverage between coverages provided by Medicare and the retired employee's Township-provided insurance coverage. The Township also provides health care benefits to all employees who retire after at least 10 years of continuous full-time service and who have attained at least the age of 62. For every year of employment with the Township, the Township will contribute \$15.60 toward the employee's monthly health insurance and \$15.60 toward the spouse's monthly health insurance. The retired employee and spouse must apply for Medicare when eligible. Currently, two retirees are eligible for health care benefits. Expenditures for postemployment health care benefits approximated \$21,000 for the current year.

# Charter Township of Milford

## Notes to Financial Statements December 31, 2006

### Note 13 - Other Postemployment Benefits (Continued)

The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

### Note 14 - Designated Fund Balance

The fund balance of the General Fund has been designated for the following purposes:

Landfill reclamation	\$ 200,000
Professional services related to postemployment benefits	15,575
Retiree health care	150,000
Capital projects	<u>300,000</u>
Total	<u>\$ 665,575</u>

### Note 15 - Subsequent Event

The Township anticipates the sale of \$10,700,000 in bonds related to the Southeast Milford Water Improvement project and \$5,581,000 in bonds related to the SEMWI construction, Phase II during 2007.

## **Required Supplemental Information**

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# Charter Township of Milford

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,059,608	\$ 975,543	\$ 1,046,965	\$ 71,422
Police millage	2,698,152	2,698,152	2,684,653	(13,499)
Licenses and permits	166,150	166,150	349,354	183,204
Federal sources	20,000	20,000	36,234	16,234
State sources	590,145	590,145	613,319	23,174
Charges for services	37,750	37,750	41,785	4,035
Investment earnings	28,000	28,000	98,493	70,493
Other	64,000	64,000	108,309	44,309
Total revenue	4,663,805	4,579,740	4,979,112	399,372
<b>Expenditures</b>				
General government:				
Legislative	11,610	11,610	9,117	2,493
Executive	134,679	139,479	135,836	3,643
Administration	770,931	755,061	633,404	121,657
Total general government	917,220	906,150	778,357	127,793
Public safety:				
Police protection	2,698,152	2,698,152	2,684,653	13,499
Building department	228,196	241,825	224,469	17,356
Total public safety	2,926,348	2,939,977	2,909,122	30,855
Public works	82,850	375,002	337,839	37,163
Community and economic development:				
Economic opportunities	33,600	33,600	24,997	8,603
Planning	73,980	116,480	100,338	16,142
Community development block grant	20,000	20,000	26,245	(6,245)
Total community and economic development	127,580	170,080	151,580	18,500
Recreation and culture	13,500	23,600	14,108	9,492
Capital outlay	82,000	71,900	10,444	61,456
Other	403,655	403,655	430,497	(26,842)
Total expenditures	4,553,153	4,890,364	4,631,947	258,417
<b>Excess of Revenue Over (Under) Expenditures</b>	110,652	(310,624)	347,165	657,789
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(218,591)	(218,591)	(249,166)	(30,575)
Operating transfers in	112,915	112,915	-	(112,915)
Total other financing uses	(105,676)	(105,676)	(249,166)	(143,490)
<b>Excess of Revenue Over (Under) Expenditures and Other Financing Uses</b>	4,976	(416,300)	97,999	514,299
<b>Fund Balance - Beginning of year</b>	1,050,168	1,050,168	1,050,168	-
<b>Fund Balance - End of year</b>	<u>\$ (1,055,144)</u>	<u>\$ 633,868</u>	<u>\$ 1,148,167</u>	<u>\$ 514,299</u>

# Charter Township of Milford

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund Year Ended December 31, 2006

	Fire Voted Millage Operations			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 826,855	\$ 826,855	\$ 830,943	\$ 4,088
Charges for services	50,000	50,000	50,166	166
Investment earnings	21,000	21,000	77,851	56,851
Total revenue	897,855	897,855	958,960	61,105
<b>Expenditures</b>				
Capital outlay	305,500	303,000	69,753	233,247
Public safety	813,169	815,669	631,671	183,998
Total expenditures	1,118,669	1,118,669	701,424	417,245
<b>Excess of Expenditures Over (Under) Revenue</b>	(220,814)	(220,814)	257,536	478,350
<b>Fund Balance - Beginning of year</b>	1,097,666	1,097,666	1,097,666	-
<b>Fund Balance - End of year</b>	<u>\$ 876,852</u>	<u>\$ 876,852</u>	<u>\$ 1,355,202</u>	<u>\$ 478,350</u>



# **Charter Township of Milford**

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## **Note to Required Supplemental Information December 31, 2006**

### **Note - Budgetary Information**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. The annual budget is prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board. All annual appropriations lapse at fiscal year end. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund and Major Special Revenue Fund budget as adopted by the Township board is included in the required supplemental information. A comparison of the actual results of operations to the nonmajor Special Revenue Funds budget as adopted by the Township board is available at the clerk's office for inspection.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The Township did not have significant budget variances.

## **Other Supplemental Information**

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# Charter Township of Milford

	Nonmajor Special Revenue Funds			
	Refuse Collection	Senior Citizens	Cemetery Improvement	Road
<b>Assets</b>				
Cash and investments	\$ 449,959	\$ 143,058	\$ 156,900	\$ 565,451
Receivables:				
Taxes receivable	203,377	65,151	-	-
Special assessments	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u><u>\$ 653,336</u></u>	<u><u>\$ 208,209</u></u>	<u><u>\$ 156,900</u></u>	<u><u>\$ 565,451</u></u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 1,886	\$ -	\$ -
Deferred revenue	<u>435,151</u>	<u>118,100</u>	<u>-</u>	<u>-</u>
Total liabilities	435,151	119,986	-	-
<b>Fund Balances - Unreserved</b>	<u>218,185</u>	<u>88,223</u>	<u>156,900</u>	<u>565,451</u>
Total liabilities and fund balances	<u><u>\$ 653,336</u></u>	<u><u>\$ 208,209</u></u>	<u><u>\$ 156,900</u></u>	<u><u>\$ 565,451</u></u>

**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2006**

Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds		Total Nonmajor Governmental Funds
Annie Lang	Land Acquisition	Annie Lang	
\$ 28,275	\$ 491,686	\$ -	\$ 1,835,329
-	-	-	268,528
102,830	-	-	102,830
22,620	-	-	22,620
<b>\$ 153,725</b>	<b>\$ 491,686</b>	<b>\$ -</b>	<b>\$ 2,229,307</b>
\$ -	\$ -	\$ -	\$ 1,886
84,985	-	-	638,236
84,985	-	-	640,122
68,740	491,686	-	1,589,185
<b>\$ 153,725</b>	<b>\$ 491,686</b>	<b>\$ -</b>	<b>\$ 2,229,307</b>

# Charter Township of Milford

	Nonmajor Special Revenue Funds			
	Refuse Collection	Senior Citizens	Cemetery Improvement	Road
<b>Revenue</b>				
Property taxes	\$ -	\$ 106,771	\$ -	\$ -
Charges for services	-	51,530	-	-
Special assessments	-	-	-	-
Rubbish billings	418,342	-	-	-
Investment earnings	18,780	5,859	6,575	31,797
Other	-	11,265	15,207	9,115
Total revenue	437,122	175,425	21,782	40,912
<b>Expenditures</b>				
General government	-	-	57,141	-
Public works	424,991	-	-	184,218
Community and economic development	-	119,721	-	-
Capital outlay	-	-	6,695	-
Debt service	-	-	-	-
Total expenditures	424,991	119,721	63,836	184,218
<b>Excess of Revenue Over (Under) Expenditures</b>	12,131	55,704	(42,054)	(143,306)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	83,591	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	83,591	-
<b>Net Change in Fund Balances</b>	12,131	55,704	41,537	(143,306)
<b>Fund Balances - Beginning of year</b>	206,054	32,519	115,363	708,757
<b>Fund Balances - End of year</b>	<u>\$ 218,185</u>	<u>\$ 88,223</u>	<u>\$ 156,900</u>	<u>\$ 565,451</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2006**

Nonmajor Debt

<u>Service Fund</u>	<u>Nonmajor Capital Projects Funds</u>		Total Nonmajor Governmental Funds
<u>Annie Lang</u>	<u>Land Acquisition</u>	<u>Annie Lang</u>	
\$ -	\$ -	\$ -	\$ 106,771
-	-	-	51,530
36,501	-	-	36,501
-	-	-	418,342
1,228	19,941	35	84,215
-	-	-	35,587
<u>37,729</u>	<u>19,941</u>	<u>35</u>	<u>732,946</u>
-	37,500	-	94,641
-	-	-	609,209
-	-	-	119,721
-	-	-	6,695
<u>28,928</u>	<u>-</u>	<u>-</u>	<u>28,928</u>
<u>28,928</u>	<u>37,500</u>	<u>-</u>	<u>859,194</u>
8,801	(17,559)	35	(126,248)
10,591	165,575	-	259,757
<u>-</u>	<u>-</u>	<u>(10,591)</u>	<u>(10,591)</u>
<u>10,591</u>	<u>165,575</u>	<u>(10,591)</u>	<u>249,166</u>
19,392	148,016	(10,556)	122,918
<u>49,348</u>	<u>343,670</u>	<u>10,556</u>	<u>1,466,267</u>
<u>\$ 68,740</u>	<u>\$ 491,686</u>	<u>\$ -</u>	<u>\$ 1,589,185</u>

# Charter Township of Milford

## Supplemental Information Combining Balance Sheet - Agency Funds Fiduciary Funds December 31, 2006

	Agency Funds			
	Tax Collections	Trust and Agency	Library	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 435,332	\$ 121,443	\$ 384,171	\$ 940,946
Investments - Bank investment pool	<u>453,567</u>	<u>-</u>	<u>147,000</u>	<u>600,567</u>
Total assets	<u><b>\$ 888,899</b></u>	<u><b>\$ 121,443</b></u>	<u><b>\$ 531,171</b></u>	<u><b>\$ 1,541,513</b></u>
<b>Liabilities</b>				
Deposits	\$ -	\$ 121,443	\$ -	\$ 121,443
Due to other governmental units	-	-	531,171	531,171
Tax collections distributable	<u>888,899</u>	<u>-</u>	<u>-</u>	<u>888,899</u>
Total liabilities	<u><b>\$ 888,899</b></u>	<u><b>\$ 121,443</b></u>	<u><b>\$ 531,171</b></u>	<u><b>\$ 1,541,513</b></u>